

IL&FS Moves NCLAT Against Banks to Avoid Wilful Defaulter Tag

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Mumbai: The IL&FS Group is seeking judicial intervention to restrain banks from declaring it a "wilful defaulter" and taking action against the members of its board that took control of the infrastructure financier after it went bankrupt in October 2018.

The group has approached the National Company Law Appellate Tribunal (NCLAT) with these pleas against the Reserve Bank of India and 11 public sector banks. The group, which includes IL&FS Financial Services and IL&FS Transportation Network among its eight companies, argued in the application filed in December that such actions by

banks would violate court orders providing immunity to the board appointed in public interest by the government.

The board has been working to deal with bad debt of ₹94,000 crore since October 2018.

IL&FS said the National Company Law Tribunal (NCLT) had already provided immunity to its directors, barring any action against them without prior approval. Despite this, and a moratorium on repayment of debt from the NCLAT, the banks are sending show-cause notices, it said.

An IL&FS spokesperson confirmed the development, but declined to provide further comments.

State-run Central Bank of India, Bank of Baroda, Indian Bank, Canara Bank, Punjab National Bank, Indian Overseas Bank, State Bank of India, Bank of India, Jammu & Kashmir Bank, IDBI Bank and Union Bank of India had issued show-cause notices to the IL&FS Group companies. They had raised objections to some former directors and executives continuing to be part of the new management and threatened to declare the firms as wilful defaulters, despite the NCLAT and NCLT issuing protective orders, it said.

Some of these banks, which are part of the approved resolution framework and have benefited from interim distribution pay-outs, are threatening to apply the defaulter tag on IL&FS without proper consideration, the petition said.



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